

**Minutes of the
Free Market Protection and Privatization Board**

Thursday, September 12, 2013 - 2:00 p.m.

Room 20, House Building

State Capitol Complex

Members present:

Kimberley Jones (Chair), Brian Gough (Vice Chair), Senator Karen Mayne, Representative Johnny Anderson, Thomas Bielen, Kerry Casaday, Manuel Torres, Katina Curtis, Bob Myrick, Councillor Steve Fairbanks and LeGrand Bitter

Members absent:

Senator Howard Stephenson, Representative Lynn Hemingway, Commissioner Sherrie Hayashi, Randy Simmons, Al Manbeian, and Commissioner Louenda Downs

Staff present:

Cliff Strachan, Governor's Office of Management and Budget

Note: Additional information including related materials and an audio recording of the meeting can be found at governor.utah.gov/privatization and the Utah Public Meeting Notice Website (<http://www.utah.gov/pmn>).

1. Welcome and Introductions

Vice Chair Brian Gough chaired the meeting. He invited first time attendees Katina Curtis, Steve Fairbanks, and Bob Myrick to introduce themselves.

Senator Stephenson, Representative Hemingway, Commissioner Hayashi and Commissioner Downs were excused from the meeting.

2. Board Business/Minutes

a. Minutes from July 10, 2013

Motion: Mr. Torres moved to approve the minutes of the July 10, 2013 meeting. CARRIED

b. Electronic Meetings

UCA 52-4-207 says a public body may not convene or conduct a meeting by electronic communications unless it has adopted procedures to govern them. The board considered procedures for electronic meetings.

Motion: Sen. Mayne moved to adopt procedures for electronic meetings. CARRIED

c. Budget

Staff provided budget information, indicating that there is \$207,700 budgeted for the board's support, and providing a breakdown of its use. Noted that \$200,000 of those funds are one-time and a request is being submitted through the Governor's Office to fund FY 2015 with the same amount.

3. Follow-up from Orientation

a. ***Free Market Protection and Privatization Board Act***

i. Mission Statement

The board considered the mission statement drafted to replace the old version. Discussion focussed on the relationship between the mission statement and the duties set forth in legislation.

Motion: Rep. Anderson moved to adopt the mission statement as a framework for the board. CARRIED
(Opposed: Fairbanks)

ii. Board Accounting Method - Request for Information

The board considered issuing a Request for Information (RFI) to facilitate establishing structure and rigor around the privatization review process. The intent is to gather information to draft a request for proposals (RFP). Sen. Mayne asked whether the proposals would result in one consultant to work on all projects or different consultants for different projects. The future use, if any, of consultants including number, scale and scope will be determined by the board. Mr. Bitter wanted to know if such tools are available from other states. There are some but not consistent where they do exist. Mr. Strachan indicated that the RFI should lead to an RFP to hire a consultant to only help establish the privatization “toolbox”, to which Mr. Torres noted will not necessarily “be one-size fits all”. Mr. Bielen asked about conversations with consultants; no pricing has been discussed. He shared experience with hiring consultants, noting it takes time and “does not come cheap”.

Motion: Sen. Mayne moved to issue a request for information to establish a privatization review process. CARRIED

iii. Commercial Activities Inventory

Mr. Strachan advised that he has initiated reviews of the inventory with departments in order to update the information. The first agencies to be revisited and which are underway are UDOT, State Parks, and Department of Environmental Quality.

He discussed the process of review he’s following for GOMB-initiated reviews: first phase is to do a quick analysis to see if there’s possibility, second phase is to engage the agency and dig deeper, and third phase is to bring a proposal to the board. For board initiatives, all phases will be through the board.

Mr. Strachan also addressed a question asked at the last meeting concerning looking at other governments. In 2008, the legislature enacted Utah Code Annotated 10-1-119 and UCA 17-50-107. These required cities and counties of the first and second classes to compile inventories, to post them, and to file a copy of these with the board. There are none on file. Mr. Strachan noted that Commissioner Downs told him the counties are not likely to want to revisit the requirement. Councillor Fairbanks noted that Utah League of Cities and Towns (ULCT) have some inventories compiled and do not want to change the format or do more busy work. Rep. Anderson opined that with some time and successes, the board will attract cities and counties for input. Sen. Mayne sought clarification on the requirement on cities and counties. Staff will seek copies and

information from ULCT. In relation to the question raised, last meeting, this board does have applicability for local government.

6. Presentations

a. Fleet Operations

Kim Hood, Executive Director of Administrative Services, introduced the two parts to the presentation, indicating they are okay with privatization but also wants the board to understand what government does for us.

Rich Amon addressed Fleet utilization noting that while there are 7,300 state vehicles, only about 1,500 vehicles fit the parameters identified by Sen. Weiler in posing the questions respecting utilization. The rest are specific purpose vehicles including emergency vehicles, maintenance vehicles, supply/transport vehicles. Other passenger type vehicles are managed by higher education. He shared the SUCCESS formula for utilization developed with Fleet and GOMB. The goal is to help state employees use the vehicles more efficiently. QT/OE is essentially miles driven divided by operating expense.

Rich Amon and Jeff Mottishaw addressed the surplus vehicle question with data from the division's pilot study which measured return on sales viz industry information (NADA). It reviewed sales data against fees charged. Fleet concludes that is getting a better return for lower cost than it could by hiring outside services. The pilot is still underway and more data will be gathered.

Mr. Amon summarized the report with three points: the focus needs to be on the subset of 1,500 vehicles identified not the larger body of 7,300 vehicles; that utilization should be the key rather than privatization; and that Fleet is getting good return on the sale of state vehicles.

It was clear from the board's discussion that there is a consensus that the agency is appropriately handling utilization and surplus vehicles and it was generally satisfied with the review done by Fleet Operations on these questions. The board debated whether there was a need to have the agency report back and the board make a definitive motion on the review requested per Sen. Weiler's presentation in July or to have the agency speak with the Senator directly.

Motion: Rep. Anderson moved that the agency come back with a report in three months to report summary results and costs of the efficiency and surplus vehicle studies. CARRIED (Opposed: Mayne, Bielen)

b. State Parks Operations

Mike Long, Division of State Parks and Recreation, discussed the division's review of its reservation system and its intention to outsource the telephone call center. Staff provided a case study on the proposal. The case study recommended that the division proceed with the outsourcing of the call center. Implementation is expected October 1, 2013.

Mr. Long also commented on the depth of private sector involvement in the parks, noting that 60 private businesses contract with the state in supporting its 43 state parks.

Mr. Bielen and Sen. Mayne asked about the loss of two staffers plus seasonal employees, wondering what will happen to them, suggesting that the division reach out to other departments to see if they can be

placed. Mr. Long also noted that the contractor may offer positions to them and there may be other opportunities within the division.

c. UDOT: Outsourced

Carlos Braceras, Executive Director, began off-topic with comments on the agency's use of vehicles in the context of the first presentation. Noted they get excellent value and rely on performance audits to get cost effective use of their vehicles. Their policy is to charge themselves for equipment usage and to employ lease buy back for vehicles.

His presentation focussed on UDOT's experience with outsourcing, noting the agency's role is to create a level playing field and act as a steward of the public's money. Noted 100% of construction, 40% of engineering, and 75% of design engineering is outsourced. Noting there are 488 UDOT engineers as opposed to nearly 16,000 contracted engineers, construction workers, and consultants, he noted there is a need for UDOT engineers to provide oversight. There is a basic need for expertise and core competencies to negotiate projects responsibly. Also noted that contractors don't like consultants overseeing projects because it confuses liability. Consultants appear to cost more but total cost of an employee is more costly long term.

Stated maintenance is 15% outsourced and materials are 30% outsourced. Noted that the agency wanted to totally outsource maintenance on Bangerter Highway but found that bids were much higher than anticipated. The reason is uncertainty on snow removal.

He talked about innovation as a by-product of outsourcing. The state's use of diverging diamond interchanges and continuous flow intersections came from contractors as they sought to provide value within a RFP for projects - specifying outcomes results in better performance.

Mr. Strachan commented on the surveys provided by UDOT for the Commercial Activities Inventory noting it is clear that UDOT searches its functions to outsource them. He also asked UDOT to work with him to develop a lessons learned/best practices for distribution by GOMB.

7. Other Business/Adjourn

a. Privatization Studies

The board was invited to suggest possible privatization studies. Mr. Bielen wanted more information from other states. Sen. Mayne noted that the board may have to look at prison privatization as the PRADA (Prison Relocation and Development Authority) does its work. She thinks it will come to this committee and it should prepare. Ms. Jones talked about need to examine what privatization has occurred in other states, example parks and recreation.

b. Adjourn

Motion: Mr. Torres moved to adjourn. CARRIED

Next meeting: Thursday, October 10, 2013 at 2 pm in 20 House Building
Meetings are scheduled for second Thursdays of each month through January 9, 2014.